

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 OMB-01 /056 W
-----048114 031235Z /53

R 020843Z JUN 78
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 681
INFO AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY EOUL
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
USLO PEKING

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STATE PASS TREASURY FOR OASIA MARESCA. ALSO COMMERCE AND
FEDERAL RESERVE (LATTER INCLUDING SAN FRANCISCO)

E.O. 11652: N/A
TAGS: EFIN, HK
SUBJECT: HONG KONG GOVERNMENT APPROVALS FOR NEW FOREIGN
BANK LICENSES

REF: A) HK 4700 B) HK 3455

1. IN ITS FIRST APPROVALS ANNOUNCEMENT SINCE THE MARCH 15 LIFTING
OF ITS MORATORIUM ON NEW BANK LICENSES, HKG HAS ANNOUNCED THE
APPROVAL OF NINE LICENSE APPLICATIONS. AS IT IS HKG POLICY NOT
TO RELEASE NAMES UNTIL BANKS MAKE THEIR OWN ANNOUNCEMENTS, FOLLOW-
ING LIST FOR THE TIME BEING IS FOR USG INFO ONLY. TO DATE ONLY
MANUFACTURERS HANOVER HAS MADE ITS DESIGNATION PUBLIC.

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2. THE NINE BANKS ARE:

(A) MANUFACTURERS HANOVER TRUST COMPANY

(B) MORGAN GUARANTY TRUST COMPANY

(C) CHEMICAL BANK (OF NEW YORK)

(D) NATIONAL WESTMINSTER BANK (UK)

(E) LLOYDS BANK INTERNATIONAL (UK)

(F) ROYAL BANK OF SCOTLAND

(G) ROYAL BANK OF CANADA

(H) TORONTO DOMINION BANK

(I) BANK OF NOVA SCOTIA

3. APPROVAL OF THE CANADIAN BANK LICENSES WAS ON THE PREMISE THAT CANADA MET THE "SOME FORM" OF RECIPROCITY TEST. (SEE REFTEL B).

4. EACH OF FOREGOING HAVE BEEN AND ARE ACTIVE IN HONG KONG VIA ONE OR MORE DEPOSIT-TAKING COMPANIES (AS DISTINGUISHED FROM FULLY-LICENSED COMMERCIAL BANKS). THOSE OF MANUFACTUREERS HANOVER AND MORGAN GUARANTY HAVE OPERATED UNDER THEIR OWN NAMES AND AS BRANCHES (AS THEIR NAMES DO NOT INCLUDE THE WORD "BANK"). OTHERS OPERATE THEIR DEPOSIT-TAKING COMPANIES AS SUBSIDIARIES I.E.

(C) CHEMICAL ASIA FINANCE CORPORATION (D) NATIONAL WESTMINSTER HONG KONG LTD. (C) LBI FINANCE HONG KONG LTD. (F) ROYAL SCOT FINANCE COMPANY (G) ROY EAST FINANCE COMPANY (H) TORONTO LIMITED OFFICIAL USE

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DOMINION INVESTMENT (HK) LTD. AND (I) BNS INTERNATIONAL (HONG KONG) LTD. EXPECTATION AT PRESENT IS THAT MOST AND PERHAPS ALL OF THE SUBSIDIARIES WILL BE PHASED OUT AND THEIR PORTFOLIOS TRANSFERRED TO NEWLY CONSTITUTED BRANCH ENTITIES. ALSO THAT THE NEWLY-LICENSED BANKS WILL ENGAGE PRIMARILY IN NON-RETAIL BANKING, IN EFFECT CONTINUING THE KIND OF BUSINESS DONE VIA THEIR DEPOSIT-TAKING COMPANIES BUT ADDING FULL BANKING SERVICES (CURRENT ACCOUNTS, ETC.) FOR HOME-COUNTRY CLIENTS THAT MIGHT BE ACTIVE IN HONG KONG OR THE REGION.

5. A NUMBER OF OTHER US AND FOREIGN BANKS HAVE SUBMITTED LICENSE APPLICATIONS OR HAVE THEM IN PREPARATION. HOWEVER, BANKING ATMOSPHERE REMAINS CLOUDED (INCLUDING FOR THE NEWLY-LICENSED BANKS) BY THE HKG PLANS ANNOUNCED IN MARCH FOR TAXING CERTAIN OFFSHORE BANKS EARNINGS (REFTEL A). BANKS IN HONG KONG AND CERTAIN TRADE ASSOCIATIONS (INCLUDING AMERICAN CHAMBER HONG KONG) HAVE MADE REPRESENTATIONS AGAINST THE TAX PROPOSAL AND PARTICULARLY ITS AMBIGUITY, WITH RESULT THAT DEBATE ON IT IN HK LEGISLATIVE COUNCIL (LEGCO) HAS BEEN TWICE POSTPONED. IT NOW SEEMS UNLIKELY THAT LEGCO WILL CONSIDERR THE TAX BILL BEFORE OCTOBER, AS HK FINANCIAL SECRETARY HADDON-CAVE, THE BILL'S PROPONENT, LEAVES HK JUNE 3 FOR SIX WEEKS LEAVE, AND

THE LEGCO'FXCURRENT SESSION WILL EXPIRE BEFORE HE RETURNS.
DEBATE MAY THEREFORE BE DELAYED UNTIL LEGCO'S NEXT SITTING,
SCHEDULED FOR LATE SEPTEMBER.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, LICENSES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978HONGK06972
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780232-1133
Format: TEL
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197806103/aaaadkwu.tel
Line Count: 120
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 662e777c-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2148443
Secure: OPEN
Status: NATIVE
Subject: HONG KONG GOVERNMENT APPROVALS FOR NEW FOREIGN BANK LICENSES
TAGS: EFIN, HK
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/662e777c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014